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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended: March 8, 1992

Commission File No.: 033020925C

Southern Kitchens, Inc.
(Exact name of registrant as specified in its charter)

Minnesota	**41-1451252**
(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. Number)

1000 Humboldt Avenue North, Minneapolis, Minnesota 55411
(Address of principal executive offices)

(612) 374-3434
(Registrant's telephone number, including area code)

No Change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

__X__ Yes _____ No

15,000,000 shares of the Registrant's common stock are outstanding as of March 8, 1992.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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NOTE TO CONDENSED SOUTHERN KITCHENS FINANCIAL STATEMENTS

THREE PERIODS ENDED MARCH 8, 1992

The condensed consolidated balance sheet, as of March 8, 1992 and the condensed consolidated statements of operations and cash flows for the quarters ended March 8, 1992 and March 9, 1991. have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary for fair statement of financial position, results of operations and cash flows for the periods shown. These statements are condensed and do not include all information required by generally accepted accounting principles to be included in a full set of financial statements. It is suggested that these condensed statements be read in conjunction with the financial statements and notes thereto included in the latest annual report.

SOUTHERN KITCHENS, INC.
BALANCE SHEETS
March 8, 1992 and June 29, 1991

CURRENT ASSETS ASSETS	Mar 8, 1992	June 29, 1991
Cash	3,463	6,515
Trade accounts receivable (less allowance for doubtful accounts: $5,000	290,398	176,664
Accounts receivable - officer and employees	14,935	54
Inventories	230,825	144,207
Prepaid rent	97,825	112,728
Other prepaid expenses	60,658	26,431
TOTAL CURRENT ASSETS	698,103	466,599
PROPERTY AND EQUIPMENT	515,579	313,397
Less accumulated depreciation	(176,023)	(140,023)
	339,556	173,374
OTHER ASSETS		
Customer list (less accumulated amortization: March - $81,740; June - $70,861)	28,260	39,139
Noncompete agreement (less accumulated amortization: March - $55,631; June - $48,214)	19,369	26,786
	47,629	65,925
TOTAL ASSETS	1,085,288	705,898
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	57,016	57,117
Accounts payable	118,044	79,262
Accured payroll and payroll taxes	52,679	41,182
Accured customer discounts	31,577	8,259
Line of credit	153,000	
TOTAL CURRENT LIABILITIES	412,316	185,820
LONG-TERM OBLIGATIONS, less current maturities	280,583	190,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock (authorized 100,000 shares; no shares issued and outstanding)		
Common stock, no par value (authorized - 15,000,000 shares; issued and outstanding - 15,000,000 at March 8, 1992 and 11,633,341 at June 29, 1991.	1,112,187	943,854
Common stock subscribed	40,167	208,500
Stock subscription receivable		(15,000)
Accumulated deficit	(759,965)	(807,276)
TOTAL STOCKHOLDERS' EQUITY	392,389	330,078
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,085,288	705,898

see notes to condensed financial statement.

SOUTHERN KITCHENS, INC.

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Periods Ended	
	Third Quarter	
	March 8, 1992	March 9, 1991
NET SALES	676,468	614,640
COST OF GOODS SOLD	482,656	398,863
GROSS PROFIT	193,812	215,777
SELLING, GENERAL, AND ADMINISTRATIVE	163,762	194,989
OPERATING INCOME(LOSS)	30,050	20,788
OTHER EXPENSES		
Interest	(11,479)	(6,120)
Product recall		
	(11,479)	(6,120)
GAIN (LOSS) BEFORE EXTRAORDINARY ITEM	18,571	14,668
EXTRAORDINARY ITEM - gain on restructuring		
NET INCOME	18,571	14,668
NET INCOME PER SHARE	$0.00	$0.00
WEIGHTED AVERAGE SHARES OUTSTANDING	15,000,000	6,167,174

see notes to condensed financial statements.

SOUTHERN KITCHENS, INC.

STATEMENTS OF OPERATIONS

(UNAUDITED)

	Nine Periods Ended	
	Third Quarter	
	March 8, 1992	March 9, 1991
NET SALES	2,019,957	1,842,747
COST OF GOODS SOLD	1,402,112	1,254,918
GROSS PROFIT	617,845	587,829
SELLING, GENERAL, AND ADMINISTRATIVE	546,462	577,889
OPERATING INCOME(LOSS)	71,383	9,940
OTHER EXPENSES		
Interest	(24,071)	(17,500)
Product recall		(304)
	(24,071)	(17,804)
GAIN (LOSS) BEFORE EXTRAORDINARY ITEM	47,312	(7,864)
EXTRAORDINARY ITEM - gain on restructuring		49,762
NET INCOME	47,312	41,898
NET INCOME PER SHARE	$0.00	$0.00
WEIGHTED AVERAGE SHARES OUTSTANDING	15,000,000	6,167,174

see notes to condensed financial statements.

SOUTHERN KITCHENS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Periods Ended	
	March 8, 1992	March 9, 1991
OPERATING ACTIVITIES		
Net income	47,312	41,898
Adjustment to reconcile net income to net cash provided(used) by operating activities:		
Amortization	18,297	18,297
Depreciation	36,000	33,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(113,735)	(40,367)
Notes receivable - officer	84,903	(171,222)
Officer & employee receivable	(14,881)	11,853
Inventories	(86,618)	(29,539)
Prepaid expenses	(104,227)	(17,597)
Accounts payable	45,706	(153,930)
Accrued payroll and payroll taxes	4,573	(7,382)
Accrued customer discounts	23,318	26,133
Net cash provided(used) by operating activities:	(59,352)	(288,856)
INVESTING ACTIVITIES		
Purchase of equipment	(202,182)	(129,850)
Net cash used by investing activities:	(202,182)	(129,850)
FINANCING ACTIVITIES		
Proceeds from Line of credit	153,000	
Proceeds from new loans	172,000	
Proceeds from long-term debt - AP		43,688
Payment of long-term debt	(81,518)	(41,006)
Advances for common stock - creditors		84,830
Advances for common stock - officer	15,000	336,432
Advances for common stock - rent		17,850
Net cash provided(used) by investing activities:	258,482	441,793
NET DECREASE IN CASH	(3,052)	23,087
CASH		
Beginning of period	6,515	10,843
End of period	3,463	33,930
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	24,071	17,500

see notes to condensed financial statements

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

A. GENERAL.

An additional 3,366,659 shares of the Company's common stock were issued during the period ended March 8, 1992 as required by the Recapitalization Agreement dated October 1, 1990. The shares were issued to The French Accent, Inc. at the request of Sharon Gunberg and Lawrence Kem.

B. NET SALES.

In this third quarter ending March 8, 1992, sales showed a slight increase in year-to-year comparison with 1991 and with last quarter. The Company is pursuing custom manufacturing contracts which should provide a significant increase in annual sales for the coming year.

C. OPERATING COSTS AND EXPENSES.

Raw material food ingredient costs have remained relatively constant. Commodity prices for meats, cheeses and breads have not materially increased. Volume purchase discounts have become available to the company again as a result of its improving financial health. The ratio of selling, general and administrative expenses and costs of goods sold in comparison to net sales has remained relatively constant on a year-to-year basis with some decrease in expenses shown in this quarter.

D. OTHER EXPENSES.

Interest expense increased in this quarter due to higher levels of debt incurred to purchase additional production equipment, and fund growth in accounts receivable and inventory. Occupancy costs remained constant.

E. ANALYSIS OF LIQUIDITY AND CAPITAL RESOURCES.

During this quarter, the Company initiated discussions to secure additional capital. The Company retained Miller & Schroeder Financial, Inc., an investment banker, to review and anlayze the possibility of a secondary offering in conjunction with the merger of the Company with The French Accent, Inc., Margaret Bakers Foods, Inc., and Mr. Z's Fund Raising Corp. The Company and its investment advisors believe that a seconday offering is advisable to provide needed working capital for the Company's continued growth and operations.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

A. In September, 1991, the Company commenced litigation in Hennepin County District Court against Richard Urban, The American Agency, CNA Insurance Company and Valley Forge Insurance Company. By this suit, the Company is seeking payment from its insurance

carriers for certain losses incurred in the product recall of October, 1989. The Company maintains that its insurance agent, agency and insurance companies represented that the Company's policy included business loss coverage. Upon submission of the claim to the insurer, the insurer denied the Company's claim on the basis that the Company's policies did not include business loss protection. The Company claims damages in excess of $50,000. As of the date of this report, Answers have been received from the Defendants and the matter is in the discovery stage of the litigation.

B. A former employee of the Company filed an age discrimination claim with the Minnesota Department of Human Rights in July, 1991. The Minnesota Department of Human Rights made a finding of no probable cause in connection with the Complaint. The matter is now closed.

C. In November, 1991, the Company's national sales manager resigned and commenced employment with a competitor. The Company obtained a temporary restraining order which limited the former employee's sales activities. This dispute was settled out of court and the action was dismissed on terms favorable to the Company. This employee's resignation and subsequent events have had no material effect on Company sales or profits.

ITEM 2. CHANGES IN SECURITIES.

During this third quarter, an additional 3,366,559 shares were issued as required by the October 1, 1990 Recapitalization Agreement. The shares were issued to The French Accent, Inc. as directed by Sharon Gunberg and Lawrence Kem. The Company has now issued all of its authorized common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

There has been no default in any payment by the Registrant during this quarter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of the Company's shareholders during this second quarter.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

A. **EXHIBITS.**
See Registrant's Annual Report on Form 10-K incorporated by

reference for a more detailed discussion of the Recapitalization Agreement and major contracts.

b. **REPORTS ON FORM 8-K.**

The Registrant has not filed any reports on Form 8-K during the quarter ended March 8, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN KITCHENS, INC.

Dated: [illegible]

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Phillip W. Crowley
President/Treasurer/Director

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